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ABSTRACT

Of all the mass media, radio is the most abundant, both in terms of the number of radio stations in operation and the number of radio receivers in use. Unfortunately, given the dynamics of a competitive market and the Federal Communications Commission's reluctance to interfere with a licensee's discretion in the choice of format, format duplication is inevitable. At present, format diversity reflects divergent interests and tastes only as marketplace forces dictate. Neither has format diversity been subject to regulatory scrutiny. Prodiversity policy focuses on nonentertainment programing and is intended to achieve only intramedia diversity. To foster pluralistic programing--and to avoid excessive sameness among formats--unprofitable formats need to be protected in much the same way nonremunerative public affairs programing on television is protected. Specifically, stations serving large and demographically appealing taste communities would bid for the right to a frequency, while stations servicing less appealing taste communities would be subsidized (negative bidding). (HOD)

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PLURALISTIC PROGRAMMING AND RADIO DIVERSITY:

A REVIEW AND A PROPOSAL

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PLURALISTIC PROGRAMMING AND RADIO DIVERSITY:
A REVIEW AND A PROPOSAL

Of all the mass media, radio is the most abundant. Both in terms of the number of radio stations in operation (over 8,000) and the number of radio receivers in use (more than 425 million), radio today is as readily accessible as electricity. Although the number of hours spent listening to radio has dwindled in the last decade -- due presumably to the increasing popularity of television -- radio remains a steadfast ally, the only truly "portable" medium. To be sure, Americans purchased as many radios in 1976 -- nearly 31.7 million -- as they did in 1965.[1]

But radio isn't nearly as diverse as it is abundant. Even in the major markets, where large numbers of listeners can support more than a mere handful of "formats,"[2] there is far more abundance than diversity. Among Chicago's 64 radio stations, for example, there are only 13 distinctive formats. While Chicago accommodates 15 "middle-of-the-road" stations, not a single station uses a "top 40" format.[3] Put another way, there are more stations in Chicago using the same format than there are different formats. Nationally, there are only 14 distinguishable formats (see Table 1).

Unhappily, given the dynamics of a competitive market and the Federal Communications Commission's reluctance to interfere with a licensee's discretion in the choice of format, format duplication is inevitable. That is, since format selection is strictly a matter of "public acceptance" and "economic necessity," to quote the Commission,[4] lucrative formats are more likely to be duplicated than challenged so long as the market share commanded by a duplicate format exceeds what a new or different format might attract.[5] Even a truly unique format -- one which services a loyal but less-than-profitable audience -- can be abandoned if broadcasters can demonstrate

TABLE 1

Format	Also characterized as	Number of Stations Using Format*
Middle-of-the-Road	Adult, adult contemporary, bright, uptempo, good or easy listening; standards entertainment, conservative	2530
Country & Western	Country, bluegrass, countrypolitan, contemporary country, modern country	1850
Top 40	Contemporary, rock, request, popular, hit parade	1479
Beautiful Music	Good music, instrumental music	602
Progressive	Underground, hard rock, folk, album oriented rock (AOR), alternative, free form, progressive rock	551
Religious	Gospel, sacred, Christian, inspirational	485
Black	Rhythm and blues, soul	248
Talk	Discussion, interview, personality, informational	240
Classical	Concert, fine music, semi-classical, serious music	213
Golden Oldies	Nostalgia, gold, solid gold, solid gold rock, classic gold	174
Jazz		128
Ethnic/Foreign Language		114
Agricultural and Farm		111

*Blocks of programming averaging more than 20 hours per week constitute a format; some stations use more than one format and are counted more than once.

Source: Broadcasting Yearbook, 1979.

financial losses attributable to the format itself.[6] In Chicago and elsewhere, it follows, only economically viable formats will survive; format diversity, therefore, reflects divergent interests and tastes only as marektplace forces dictate.[3]

As a matter of principle, little can be said in opposition to diversity; that would "seem to be an argument against variety and choice in a heterogeneous society distrustful of centralized decision making."[7] As a matter of policy, however, little has been done to remedy an apparently deficient system of broadcasting; the FCC, in particular, has been curiously lax in its effort to "secure the maximum benefits of radio to all the people."[8] Pluralistic programming, Roland Homet concludes in his recent study of communications policymaking, "is an ideal to be saluted but not implemented."[9]

Beyond its attempt to reduce the amount of duplicated programming between jointly-owned AM and FM stations,[10] the FCC's commitment to variety and choice has been limited to intramedia diversity -- as opposed to intermedia diversity -- and only in regard to news and public affairs programming.[11] Accordingly, broadcasters are required to attend to an elaborate ascertainment-of-community-issues procedure; they must accommodate certain access rights in the name of fairness and equity; and when time for license renewal they must specify the percentages of programming devoted to everything and anything except entertainment and sports. In other words, diversity is defined solely in terms of what any one station broadcasts, regardless of what other stations in the same service area may be programming; and diversity is defined only in the context of nonentertainment programming, as though a broadcaster's fiduciary responsibility -- including a federal mandate to broadcast in the "public interst, convenience, and necessity" -- applies only to a small fraction of total programming.

Deliberately, the FCC has established a "double standard" approach to broadcast regulation, a policy intended to strike a balance between, as the Supreme Court put it in 1940, "the preservation of a free competitive broadcast system, on the one hand, and the reasonable restriction of that freedom inherent in the public interest standard provided in the Communications Act, on the other."[12] Ergo, the FCC's programming policy:

> ...with respect to the provision of news, public affairs, and other informational services to the community, we have required that broadcasters conduct thorough surveys designed to assure familiarity with community problems and then develop programming responsive to those identified needs. In contrast, we have generally left entertainment programming decisions to the licensee or applicant's judgement and competitive marketplace forces.[13]

Precisely why the Commission decided the balance should be struck "with entertainment programming in one pan," the Court of Appeals lamented, "and everything else in the other pan not clear."[14] That broadcasters will offer entertainment fare "to fill whatever void is left by the programming of other stations,"[15] as the Commission reasoned, runs counter to the available evidence. That First Amendment considerations justify non-intervention in entertainment programming -- another FCC rationale -- is similarly lame: "familiar First Amendment concepts would," the Court of Appeals suggested, "indicate a lesser -- not a greater -- governmental role in matters affecting news, public affairs, and religious programming."[16]

In sum, format diversity -- or a lack thereof -- has not been subject to regulatory scrutiny. Prodiversity policy focuses on nonentertainment

programming and is intended to achieve only intramedia diversity. To realize radio's potential--to transform abundance into diversity--thus requires a fundamental shift in policy and a fully novel approach to radio regulation.

A Rationale for Diversity: Three Hypotheses

Before discussing changes in policy and ways of implementing such changes, it will be useful to examine in greater detail the desirability of diversity. Borrowing liberally from the work of economist Bruce Owen, diversity as a goal of broadcast regulation can be examined in the context of three alternative -- though not mutually exclusive -- hypotheses: (1) diversity is the goal of freedom of expression and is thus mandated by the First Amendment, (2) diversity is necessary to remedy a structurally deficient system of broadcasting, and (3) diversity yields pluralistic programming, which is a "meritorious good." None of these hypotheses, of course, is likely to satisfy all the demands of an ideal system of broadcasting. The task here, simply, is to decide only which hypothesis is likely to minimize the risk of undesirable consequences. Broadly conceived, the question is: "What is diversity and why should it be an important goal of communications policy?"[17]

The First Amendment Hypothesis

That diversity is the goal of freedom of expression and is thus mandated by the First Amendment translates into the issue of access. The access issue, in turn, centers on two fundamentally different -- and often conflicting -- "rights": The producer's right to be heard and the consumer's right to hear. In its broadest terms the question is, as Schmidt phrases it, whether "the First Amendment, in essence, states a constitutional policy in favor of the broadest diversity of expression, and nothing more, or whether the First Amendment guarantees individual (or institutional autonomy) from government regulation with respect to the content of expression?"[18]

According to the Supreme Court, listeners of radio and viewers of television--in contrast to consumers of print media--do indeed have a right to hear. As the Court made clear in Red Lion, it is the right of the consumer, not the right of the producer, which is paramount. Broadcast media ought to function "consistently with the ends and purposes of the First Amendment"; and the purposes of the First Amendment, the Court ruled, is to preserve a fair and robust marketplace of ideas. Ergo, the right to hear: "It is the right of the public to receive suitable access to social, political, esthetic, moral, and other ideas."[19]

As appealing as the Court's interpretation of the First Amendment may be, however, it fails to appreciate the important distinction between an uninhibited marketplace and a diverse or "balanced" marketplace. To guarantee the latter -- as the Court attempts to do in Red Lion--necessarily impairs the former. Simply put, protecting freedom of expression may foster diversity, but fostering diversity does not protect freedom of expression.[20]

There is, in short, no necessary connection between freedom of expression and diversity. Moreover, it is unlikely that the First Amendment can accommodate both freedom of expression (the right to be heard) and diversity (the right to hear). "It is doubtful," Owen concludes, "that the First Amendment really contains an implied 'right to hear' distinct from freedom of expression."[21] It is at best difficult to at once accommodate both interpretations of the First Amendment: protecting the marketplace of ideas and freedom of expression. That freedom for producers may be good for consumers hardly justifies substituting diversity for freedom of expression.

The Structural Deficiency Hypothesis

While the FCC favors the marketplace as "the best available means for providing diversity,"[22] the Court of Appeals believes that marketplace forces--

especially the dominant role advertising plays in commercial radio--may generate a mix of programming "inherently inconsistent" with broadcasting's public interest mandate.[23] That is, since broadcasters produce programs to facilitate the consumption of advertising, consumer preferences are either distorted or ignored. The structural deficiency hypothesis thus posits a bias against diversity due to economic incentives wholly unrelated to consumer tastes.

Radio is free to the consumer in the sense that listeners do not have the opportunity to express preferences by purchasing--or not purchasing--particular programs (or formats). Indeed, with no ability to purchase, there is no reasonable measure of the intensity of preferences, which is ordinarily interpreted as the economic value of a program. Instead, advertisers pay for programming by buying "desirable" audiences. And by so doing, advertisers have an opportunity to express the intensity of their preferences by assessing the value of a given audience. Quantitatively as well as qualitatively, advertisers decide how much an audience is worth and, by so doing, advertisers--not consumers--establish the value of programming. The range of desirable audiences thus dictates the range of "acceptable" formats.

Clearly, so long as broadcasters are engaged in the production and sale of audiences, format selection is more likely to reflect advertiser interest in audiences than consumer interest in programs. Thus it could be argued, Owen hypothesizes, that "a policy favoring diversity may result in a mix of programming which more nearly approximates the conditions which would obtain in a free market than would the advertising mechanism, operating without constraints."[24] However, Owen finds no sound theoretical reason and little empirical support for supposing that approximating a free market will yield more diversity.[25] In fact, consumer preferences may not be at odds with advertiser preferences; it may well be that advertisers are not responding

to economic incentives wholly unrelated to consumer tastes. Insofar as the intensity of preferences is concerned, there is an inevitable bias against products for which demand is insensitive to price. Because of the problem of fixed costs, even if consumers paid directly for programs, broadcasters might be biased against small groups of listeners with intense preferences.[26]

Accordingly, an advertiser-supported system of broadcasting may be inefficient in an economic sense and minority tastes may be systematically discriminated against, but it is sheer willfulness to conclude that it is necessarily deficient in regard to diversity.

The Merit Good Hypothesis

A format may be preferred -- and preferred intensely -- but still be economically unviable because its audience is too small or because the audience's demographics are of little interest to advertisers. One reason for requiring the production of such a format is because pluralistic programming is itself desirable. A format produced only because it is good for the public is called a "meritorious good"; a type of programming whose societal value transcends its economic worth. The merit good hypothesis thus proposes a system of broadcasting responsive to the intensity of consumer preferences without regard to economic consequences or incentives.

From a merit good perspective, diversity is defined in non-economic terms. Diversity is good and thus desirable only to the extent that it serves the needs of a pluralistic society;[27] diverse programming--or a diversity of formats--can be justified only as it fosters cultural pluralism. The concept of diversity, therefore, is essentially normative in that it requires consensus on questions of value: what kinds of programming will best meet the needs of a culturally plural society?

In Owen's evaluation, the merit good argument emerges as the sole justi-

fication for having diversity as a goal of communications plicy.[28] The merit good hypothesis may appear less attractive than the other hypotheses because of its emphasis on programming that "ought" to exist, but its conclusions follow logically from its premises. Whether pluralistic programming of a merit nature will bring about consequences more undesirable than desirable is certainly subject to speculation; at the very least, however, a merit good approach to broadcasting would substantially reduce what Adorno calls the "commodity character" of radio broadcasting.[29]

Rational Preferences and Communities of Taste

The ambiguity of the phrase "format diversity" should be of concern to policymakers, Owen suggests, if they intend to distinguish between diversity within a given format and diversity among different formats. If diversity means only the number of objectively distinguishable formats, the degree of diversity may be understated:

> ...consumers can and do have preferences among stations which have similar formats. All stations with the same format do not have identical programs. Stations with the same music format will have different non-music programs and advertising, to say nothing of announcer personalities. Consumers do not allocate themselves at random among stations with the same format. There is some increase in consumer satisfaction associated with the addition of a new station within a given, already occupied, format.[30]

What Owen's analysis neglects, however, is the relative rationality of consumer preferences. It is true, as Owen points out, that format duplication may increase consumer satisfaction. But it does not necessarily follow that diversity within formats is as desirable as diversity among formats. For the crux of the issue rests not on the preferred format or format variation but on the nature of the preference.

Choosing one program or format over another can be a more or less rational choice, depending on the "feeling of loss" consequent on not being able to make the choice. In its simplest terms, if a listener had no choice but to listen to format A instead of format B, would the listener feel worse off?[31] The greater the feeling of loss, the more rational the preference. Using a continuum from "rational" to "irrational"--rather than dichotomizing the terms--it can be demonstrated that preferences for a distinguishable or unique format are likely to be more rational than preferences for a duplicated format.

Typically, listeners who rationally prefer a particular kind of programming comprise what might be called a "community of taste." These communities of taste, as such, delineate a market's need for pluralistic programming. Since rational preferences are a first order priority in that they should be accommodated before irrational preferences are accommodated, there is a need for diversity among formats before there is a need for diversity within formats. That is, variety and choice in formats can best serve the needs of communities of taste through intermedia diversity rather than intramedia diversity. In an effort to aid communities in developing their own "listening traditions,"[32] it follows, individual radio stations should become specialized and separate.

Identifying Communities of Taste

The central obstacle to the assessment of taste communities is how to

measure their range, scope, and size. A similar dilemma has plagued commercial broadcasters for decades: while it is easy to "count heads" of audience members and furnish potential advertisers with demographic descriptions of listeners' ages, education levels, and sex, these analyses are of only limited utility in making decisions about what "spots" a sponsor should buy. Data from ascertainment studies, coupled with rating demographics, have not proved useful to broadcast management for purposes of designing formats to instruct and delight audiences; at best they are only useful as hints about ways to preserve audiences and, occasionally, provide public affairs programming. In sum, rating demographics and ascertainment studies provide only shallow insights into audience preferences.

While conventional research methods employed by broadcasters have peaked in terms of utility and have led to a kind of conservative bias with respect to preserving audience sizes, several new research methods have emerged from commercial sources which offer a good deal of promise for assessing the intensity and rationality of consumer preferences. Under the generic term of "psychographic analysis," this new family of methods represents an attempt to probe the life styles and attitudes of listeners.[33] These methods offer great promise for the identification and description of taste communities.

Briefly defined, psychographics is the measurement of the links between listeners' attitudes, personalities, and life styles with their media preferences. While these methods have been employed in the last fifteen years as aids to broadcast sales, they offer great promise as aids to assessing the needs, tastes, and preferences of listeners both between and within formats. Originally, psychographic research was limited to the application of paper-and-pencil personality inventories to audience groups, so that potential advertisers could make inferences about possible marketing behaviors of radio and television audiences, and magazine subscribers.[34] Early descrip-

tions of samples of magazine readers focused on such variables as dominance, self-control, and heterosexuality. Presumably, knowledge of the relative concentrations of these qualities of audiences would aid advertisers in making strategic decisions about advertising approaches.

Since the early days of psychographic research, however, the field has exhibited increased sophistication with respect to the kind of data provided. Specifically, recent studies offer insights into the motives of people for seeking various media formats, and the specific aspects of formats which are most appealing. It is our contention that these types of studies can be fruitfully directed to the problem of enlightening those concerned with audience preferences. Two examples of recent methodological investigations should underline the contention. Teel, et al. investigated the relationships among clusters of personality variables, demographics, and radio and television program preferences in a large sample of audience members.[35] They found that psychographic and demographic descriptions of audiences do not often correlate, in that within such divisions as age, for example, there were several distinct preference "types" which differed radically in preferences. Some of the typical clusters used were labelled old fashioned, outgoing, service-quality, fashion conscious, and other directed. They found, for example, that daytime television viewers were more old fashioned and less other-directed than viewers of other day parts. Further, these viewers preferred situation comedies to documentaries when they did view prime-time television. The promise of such an approach is obvious: a cross-media description of the aspects of programming preference of certain types of audience members. To expand this approach to taste assessment, it would be necessary to develop clusters such as news and information oriented listeners, fashion conscious listeners, and the like, to determine within which formats they

prefer their particular "mix" of programming.

Toward that end, Frank and Greenberg attempted to segment television audiences by their interests and found that soap opera viewers were higher in family oriented ideals, which presumably underlie their interest in soaps as opposed to other possible choices such as game shows or variety programs.[36] Thus, the possibility exists that both types of programs prefered by audience clusters and the motives of cluster members can be explored and described. While the methods need refinement, the tools for these descriptions now exist.

Describing Communities of Taste

The designated analysts of taste communities would have at their disposal the same high-speed computers, sampling methods, and data collection procedures now available to commercial broadcasters.[37] The next step would be to insure the maximization of the fulfillment of audience needs and interests.

An important aspect of the analysts' use of psychographics research is to develop a way to guage the extent to which a specific program preference by a listener is a rational choice. It is possible to equip the licensee of a radio station with at least three categories of information about a taste community: information concerning leisure time and consumer behavior, information regarding specific media preferences, and information indicating the degree to which these preferences are rational or irrational.

A test item used to tap respondents' degree of rationality for their preference would be employed to assess dimensions of choice rationality. Thus, a station owner would have information concerning media preferences, degree of rationality, and demographic data to use as a framework from which to create his new composite format.

An item which could be used to assess the degree or rationality of a preference is:

If you could not receive the following type of programming on your radio in your city, how disappointed would you feel?

Very disappointed _____ _____ _____ _____ _____Not disappointed at all

This item would be used to rate a series of dimensions of rational choices, a few of which appear in Table 2. These dimensions would vary in intensity for any given group of respondents. By examining the most intensely rational preferences, the licensee would have a good place to begin building a composite format.

Since the rationality of an individual's choice of programming depends on the degree to which he would feel a sense of loss if the choice were not available, the system advocated herein would appear to provide for rational choice more than does the status quo. Given the depth of analysis provided for by the psychographic approach, it becomes possible to probe the concept "sense of loss" within relatively small groups of listeners and to delineate specific aspects a station's programming which contribute most to that sense of loss. For example, two dimensions of programming attributes (see Table 2) which now represent two formats in many markets are foreign language programming and classical music. Generally, classical music formats are in English; while many non-speakers of English enjoy classical music, they do not comprehend such content as news, announcements of forthcoming programs, and short biographies of composers and musicians which are presented on classical stations.

Presently, Hispanic audiences are served by Spanish-language formats which typically present all programs in Spanish, and also furnish predominantly Latin or Disco music, which demographic audience surveys have indicated are preferred by the majority of Hispanic listeners. If a psychographic

TABLE 2

DIMENSIONS OF PROGRAMMING ATTRIBUTES

MUSIC
- rock
  - hard
  - soft
- disco
- jazz
- oldies
- classical
  - live concerts
  - by composer
  - chamber music
  - by genre
- top 40
- country and western
- easy listening
- soul
- ethnic
  - latin
  - polish
  - etc.
- all music
- announcer attributes
  - sex
  - age
  - rate of speech
  - banter
  - etc.

INTERVIEW/TALK
- guest shows
- phone-in
- advice
  - cooking
  - travel
  - etc.
- live
- taped
- personality attributes
- etc.

WEATHER/CONDITIONS
- local
- national
- regional
- state
- frequency
- driving conditions
- skiing conditions
- boating conditions
- personality attributes
- etc.

NEWS & PUBLIC AFFAIRS
- interviews
  - live
  - taped
- documentaries
  - long
  - short
- news
  - national
  - state
  - local
  - international
  - regional
- time
- duration
  - 5 minutes
  - 10 minutes
  - 15 minutes
- all news
- editorials
- personality attributes
- etc.

SPORTS/LEISURE
- baseball
- basketball
- football
- volleyball
- swimming
- boxing
- international
- local
- national
- family activities
  - couples
  - children
- personality attributes
- etc.

NON/MUSIC ENTERTAINMENT
- drama
- poetry
- children's shows
- all non-music entertainment
- personality attributes
- etc.

analysis revealed that the reasons for Hispanics' loyalty to the Spanish-language station was based on their preference for news, but that many listeners desired classical music, the possibility of a new taste community would emerge.

Given these conditions, a new taste community of this nature would consist of a group of listeners who wanted classical music and Spanish speaking news staff and announcers. They would comprise, in many cities, a potentially profitable group who are only partially served by two existing formats. The function of the psychographic analysis would have been to demonstrate that the seemingly large Spanish-speaking audience was loyal to the Latin format only for the news and public service announcements in its own language. Its taste for classical music, a rational preference, was sacrificed or compromised by the necessity of obviating one format, or selecting it only infrequently, once its need for news had been satisfied.

If the new taste community of Spanish-speaking classical enthusiasts was defined, and served, more of those who did not "fit" either format would be offered their primary choice of programs. Regardless of the size of this taste community, it could be initially implemented, and regular, ongoing audience research could determine whether it should continue, and/or whether it requires modification.

One additional point concerning the assessment of taste communities should be stressed. It is important to note that, given the refinement of existing methodologies we propose, audience groups <u>emerge</u> from the analysis, and are in no way preconceived prior to the analysis.

Because of the nature of these techniques, it is always possible to produce as many, or more, communities of taste than radio stations in a given market. The only criterion for the final definition of taste communities is

that, at some point, only those taste communities which yield a reasonable number of listeners would be matched with radio stations. There is no need to define more taste communities than existing radio stations in a market. As clusters change in number and preference, communities of taste would be redefined and stations would be matched accordingly.

As in any other type of research, the results of psychographic investigations are only as valid as the original items used to elicit data from respondents. Now that over ten years of such research has accumulated, items which have demonstrated validity have emerged. Psychographics includes, but is not limited to, self-report items of personal behavior (use of leisure time, for example), attitudes (preferences for certain kinds of media, certain articles or programs), and values (political philosophy, taste, etc.). Other aspects of psychographic research, such as physiological correlates of listening, are not as relevant as are the self-report data for our purposes. Since the validity of these items has been supported by numerous investigations, they have been and are being used by researchers studying a wide variety of problems.

Some typical categories of attitudes, behavior, and values which have been addressed include: motives for selecting certain programs, lifestyle data, including the use of leisure time, personality characteristics such as dominance and heterosexuality, self-image and the like. Value-oriented items such as perceptions of the appropriateness of certain programs have also been used. Therefore, using statistical analyses such as cluster analysis, factor analysis, discriminant analysis, and multidimensional scaling, it is possible to elicit aggregates of these characteristics, and to determine the extent to which these characteristics are unique and uncorrelated. The focus of these procedures is to describe groups of people, those groups in turn

being described by subsets of the types of items noted above. Mathematically, these clusters will sometimes emerge neatly, with little overlap, such that individuals are unambiguously assigned to groups which are clearly defined. Occasionally, there is some overlap in that certain minorities (in number) will fall somewhere in between clearly defined groups. In any case, there is always a role for subjectivity, in that the analyst of these multivariate procedures must always decide when to stop the clustering process. There are, however, well-established "rules of thumb" to assist in these sorts of decisions.

The important point here is that there are likely to be different numbers of clusters for each market. While this lack of uniformity may be initially disturbing, this is an advantage; communities of taste will be different in number and in kind for each market where they appear. In a sense, the procedure recommended here will allow allocations to be customized to reflect the tastes of a market.

Taste Communities and Pluralistic Programming

Once communities of taste are identified, the task then becomes that of modifying the radio system in such a way as to serve more of the identified taste communities than would be served under the present system. In addition to a radio broadcaster's personal preferences, the major determinants of broadcast programming are the regulatory schema and the economics of the marketplace. These determinants, which presently operate in an imperfect marketplace, can be structurally modified so that radio broadcasters attempting to profit maximize will program to a wider variety of taste communities.

Not unlike the decentralized system of broadcasting in West Germany, which allows for the organization and regulation of broadcasting on a local

level,[38] the functions of the FCC, with respect to radio, should be largely turned over to local radio boards. These boards would exist on a market-by-market basis, elected or appointed for, say, a three to five year term. Their primary responsibilities would be to:

(1) identify local communities of taste,

(2) coordinate the process of allocating stations to communities of taste, and

(3) monitor and act, on a post hoc basis only, on complaints from affected taste communities and radio broadcasters.

Using the approaches discussed above, it would be the radio board's responsibility to identify and describe existing local communities of taste. The process of identifying taste communities would go on periodically, as communities of taste could be expected to change over time. Compilation of taste community data would be completed shortly prior to the license expiration period.[39]

Allocating Taste Communities

Because of the physical limitations of the broadcast spectrum, the problem of serving unserved taste communities generally can not be solved by adding additional radio stations. Additional stations, left to their own, might choose not to program for these taste communities. What needs to be done, then, is to eliminate target audience duplication among radio stations. Such duplication exists when stations trying to profit maximize find it more profitable to share a large lucrative audience segment with other stations than to capture an entirely different--and less lucrative--audience segment.

This inefficient duplication could be eliminated simply by having the local radio board prohibit more than one radio station programming to any given taste community. Such a solution might well result in radio service to previously unserved communities. The additional taste communities served

would be those that offered lower profit potentials than would sharing lucrative taste communities. However, those taste communities which offered nothing but economic losses or unattractively small profits would continue to go unserved. A regulatory structure will not succeed in ensuring radio service to a wider array of taste communities if its success relies on commercial broadcasters adopting unprofitable communities of taste.

There is an alternative which would relieve the local radio boards from the responsibility of assigning particular taste communities to particular radio stations and which would transform unprofitable taste communities into profitable ones making the decision to program to them a sound one for profit-seeking broadcasters. The system would operate as follows. The radio board would make public a description of the taste communities in the local market. Broadcasters would be invited to bid for the right to select a taste community to broadcast to.[40] The high bidding broadcaster would pay the amount bid to the radio board and select a taste community. The process would begin again with neither the chosen taste community nor the winning broadcaster involved in the subsequent bidding. Because not all taste communities offer equal profit potentials, bids (which would reflect the anticipated revenues accruing to the broadcaster less his costs of broadcasting and an acceptable profit expectation) would decrease in value as the more profitable taste communities were assigned to winning stations.

At some point stations would not be willing to bid for a license to broadcast to one of the remaining taste communities if those taste communities offered no or unsatisfactorily small profit potential. At that point the local radio board would begin negative bidding. That is, broadcasters would have to submit bids of how much money they would have to be paid for it to be worth their while to broadcast to one of the unserved taste communities.

The local radio board would accept the lowest negative bid and continue such rounds of negative bidding until its pool of money (from earlier positive bids) or the number of available stations ran out. Markets having a fee surplus (where negative bids do not equal or exceed positive bids) could transfer that surplus to a federal pool to be used to aid radio boards in markets having a fee deficit.[42] The local radio boards would thus be using the money broadcasters had paid for the privilege of broadcasting to lucrative taste communities to subsidize broadcast service to the otherwise unprofitable taste communities. Note that the radio boards would not be subsidizing or encouraging any particular format or taste community, rather they would simply be fostering the goal of broadcast diversity[42] (see Table 3). While this plan generally favors inter-taste community diversity above intra-taste community diversity, in large markets having many stations, taste communities will likely be defined so narrowly as to result in overlap between taste communities, thereby approximating the benefits of intra-taste community diversity as well.

Because the success of this plan depends on radio stations serving their taste community of license, problems could arise if either the station fails to program to the satisfaction of the taste community or the taste community changes in such a way as to make broadcasting to it under the original bid agreement impossible or unprofitable. It would be the responsibility of the local radio board (as it is now of the FCC) to see that radio broadcasting met the public interest needs. While the radio board would probably not need specific programming regulations (such as X% News and Y% Public Affairs, etc.), it would be empowered to revoke the license of a broadcaster upon satisfactory showing that the terms and conditions of the license were being violated. Similarly, it would be able to rewrite a license agreement upon a broadcaster's showing of good cause.

TABLE 3

Taste Communities Served With and Without Negative Bidding

	TASTE COMMUNITIES									
	1	2	3	4	5	6	7	8	9	10+
Expected Revenue	A+P	B+P	C+P	D+P	D+P	P	P-G	P-H	P-I	P-J
Taste Communities Served if Broadcaster is Limited to One Taste Community per Market and No Fee is Charged*	X	X	X	X	X	X				
Expected Bids	A-c	B-c	C-c	D-c	E-c	-c	-(G+c)	-(H+c)	-(I+c)	-(J+c)
Taste Communities Assuming All Negative Bids Are Accepted	X	X	X	X	X	X	X	X	X	X

P = bidder's assessment of marginally satisfactory profit

A-J = bidder's expected profits/losses beyond "P" for each taste community

c = bidder's expected costs associated with broadcasting to each taste community

*If duplication is allowed, no more of the taste communities will be served in a free market than is indicated here, though some taste communities may be served with more than one station and some may go unserved if it is more profitable for broadcasters to split the lucrative taste communities than to program without competition to a marginally profitable taste community.

+This chart assumes there are 10 taste communities, six of which would be at least marginally profitable before negative bidding. It further assumes the presence of 10 available radio stations. Were there more taste communities than stations, not every taste community would be served by its own station, but more would be served with negative bidding than without it.

Accountability and Broadcast Diversity

Congress and the courts have long supported the FCC's effort to foster the development of programs which "serve the needs of the local community."[43] However, a handful of appointed officials in Washington, D.C. can not be expected to identify and assess local tastes and preferences; "centralized regulators," the Commission acknowledges, "can construct an aggregate picture that reflects overall tastes but probably fails to recognize local differences."[44] Accordingly, the proposal offered herein is an attempt to decentralize broadcasting; rather than deregulate radio, as the FCC proposes, what we offer here are the contours--by no means the details--of a plan for reregulating radio.

At the core of our proposal is program diversity as defined by local radio boards. Program diversity is defined in terms of the range of pluralistic programming a given number of radio stations in a particular market can be expected to accommodate. Ultimately, the range of pluralistic programming is a function of consumers whose rational preferences for a particular kind of programming--or programming mix--identify them as belonging to the same community of taste; in practice, the size and number of these taste communities determines the desirability of diversity in a particular market.

Clearly, planning responsive programming--programming tailored to meet the needs of a particular taste community--requires stations to specialize. Inter-station diversity, it follows, is emphasized over intra-station diversity. That is, given the special and separate needs of taste communities, broadcasters would be encouraged to adopt--indeed, invent--formats more unique and novel than conventional and standardized. Ideally, broadcasters would be able to move beyond what Adnorno called the "commodity listening" aspect of radio, a phenomenon whereby programming is merely consumed rather than fully appreciated and truly enjoyed.[45]

To foster pluralistic programming--and to avoid excessive sameness among formats--our proposal recognizes the need to protect unprofitable formats in much the same way--and for essentially the same reason--the Carroll doctrine protects nonrenumerative public affairs programming on television.[46] While the Carroll doctrine protects existing television stations against new competition by regulating entry, economically unviable taste communities can be served by protecting--or ensuring--a station's profitability. Specifically, stations serving large and demographically appealing taste communities would bid for the right to a frequency, while stations servicing less appealing taste communities would be subsidized (negative bidding).

In sum, the public interest can be best served by a system of broadcasting designed to accommodate consumer preferences even when these preferences prove unattractive in an economic sense. Therefore, to realize the vast potentialities of broadcasting and to secure what the Supreme Court describes as the "maximum benefits" of radio for all the people,[47] pluralistic programming must be viewed as a merit good.

Notes

1 Christopher H. Sterling and Timothy R. Haight, "The Mass Media: Aspen Institute Guide to Communication Industry Trends, (New York: Praeger Publishers, 1978), pp. 360-363.

2 According to FCC Commissioner Robinson, "Questions of pacing and style, the personalities of on-the-air talent (both individually and in combination with one another), all contribute to those fugitive values that radio people call a station's 'sound' and that citizens' groups (and, alas, appellate judges) call format." 57 FCC 2d 580, 594 (1976).

3 Figures cited in Bruce M. Owen, "Regulating Diversity: The Case of Radio Formats." Journal of Broadcasting, 21 (Summer 1977), p. 308.

4 Programming Policy Statement, 25 Fed. Reg. 7293 (1960).

5 See Harvey J. Levin, "Program Duplication, Diversity, and Effective Viewer Choices: Some Empirical Findings." American Economic Review, LX1 (May 1971), pp. 81-88.

6 Citizens Committee to Save WEFM v FCC, 506, f. 2d 246.

7 Douglas H. Ginsburg, Regulation of Broadcasting. (St. Paul: West, 1979), p. 294.

8 NBC v. U.S., 319 U.S. 190, 216-217.

9 Roland S. Homet, Jr., Politics, Cultures and Communications, (New York: Aspen Institute for Humanistic Studies, 1979), pp. 53-54.

10 47 CFR 73.242 (1972).

11 Intramedia diversity refers to diversity within media; intermedia diversity refers to diversity between or among media.

12 FCC v Sanders Bros. Radio Station, 309 U.S. 470, 474.

13 40 FCC 2d at 230.

14 Quoted in Ginsburg, p. 305.

15 25 Fed. Reg. 7293 (1960).

16 Quoted in Ginsburg, p. 305.

17 Bruce M. Owen, "Television and Diversity," pp. 317-322 in Ginsburg, p. 317.

18 Benno C. Schmidt, Jr., Freedom of the Press vs. Public Access (New York: Praeger, 1976), p. 31.

19 Red Lion v. FCC, 395 U.S. 367 (1969).

20 Or, "If the first amendment protects against the suppression of ideas, it follows that a marketplace of sorts may emerge. It does not follow that a marketplace necessarily will emerge or that if it does, the result will seem fair or balanced." See David L. Lange, "The Role of the Access Doctrine in the Regulation of the Mass Media: A Critical Review and Assessment," The North Carolina Law Review, 52 (November 1973), p. 11.

21 Bruce M. Owen, Economics and Freedom of Expression, (Cambridge: Ballinger, 1975), p. 25.

22 41 Fed. Reg. 32950 (1976).

23 WEFM v. FCC; quoted in Ginsburg, p. 306.

24 Owen, Television and Diversity, p. 319.

25 Owen, Television and Diversity, p. 321.

26 Owen, Economics and Freedom of Expression, p. 113.

27 Of course, diversity may not be desirable if the society isn't pluralistic.

[28] Owen, Economics and Freedom of Expression, p. 113.

[29] T.W. Adorno, "A Social Critique of Radio Music," The Kenyon Review, 7 (1945), pp. 208-217.

[30] Owen, "Regulating Diversity," p. 313.

[31] E.H. Chamberlin, "Product Heterogeneity and Public Policy." American Economic Review, 40 (May 1950), p. 88.

[32] Peter Hesbacher, et al., "Radio Format Strategies." Journal of Communication, 26 (Winter 1976), pp. 110-119.

[33] Charles Ramond, Advertising Research: The State of the Art. (New York: Association of National Advertisers, 1976), p. 33.

[34] Ramond, p. 37.

[35] P. Teel, R. Bearden, and T. Durant, "Psychographics of Radio and Television Audiences." Journal of Advertising Research, 19, 2, (April 1979), pp. 23-38.

[36] M. Frank and M. Greenberg, "Interest-Based Segments of TV Audiences." Journal of Advertising Research, 19, 5, (July 1979), pp. 43-57.

[37] While this application of psychographics is intended to be used by radio boards for purposes of identifying taste communities, the same procedures could easily be used by individual stations to identify an appropriate format for the taste community to which they have been assigned.

[38] Homet, pp. 22-24.

[39] At the end of a license period of say three years, all licenses and newly identified taste communities in that market would again be up for bid.

[40] Note: the bidding process described herein will operate most effectively when the mechanisms used to identify taste communities are fine tuned so that the number of taste communities equals or exceeds the number of

available stations in a market. The system of bidding advocated here is not unlike the method the government uses to allocate other scarce natural resources such as the outer continental shelf oil leasing rights. For discussions of bidding strategies, see Douglas K. Reece, "An Analysis of Alternative Bidding Systems for Leasing Offshore Oil," Bell Journal of Economics, 10, 2, 1979, p. 657; Douglas K. Reece, "Competitive Bidding for Offshore Petroleum Leases," Bell Journal of Economics, 9, 2, 1978, p. 369; Lawrence Friedman, "A Competitive-Bidding Strategy," Operations Research Vol. IV 1956, p. 104.

This is not the first time bidding for use of the broadcast spectrum has been discussed or suggested, although earlier such suggestions had different methods and goals in mind. See, for example, "Options Papers," Subcommittee on Communications of the Committee on Interstate and Foreign Commerce, House of Representatives, 95 Cong., 1 Sess, May 1977, Committee Report 95-13, Chapter 1.

41 The fee surplus might also go to meet the costs of operating the radio boards or to the Corporation for Public Broadcasting.

42 This goal satisfied Posner's goals for the regulation of industries: "the deliberate and continued provision of ...services...in larger quantities than would be offered in an unregulated competitive market or, a fortiori, and unregulated monopolistic one." (Richard Posner, "Taxation By Regulation," Bell Journal of Economics and Management Science Spring, 1971, Vol. 2, No. 1, p. 22).

43 National Broadcasting Co. v. U.S., 319 U.S. 190 (1943) at 203.

44 Inquiry and Proposed Rulemaking; Deregulation of Radio (FCC 79-518), paragraph 95.

[45] Adorno, pp. 211-212.

[46] Carroll Broadcasting Co. v. FCC, 258 F. 2d 440 (1958).

[47] National Broadcasting Co. v. U.S., op cit.